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AUTHOR	Bogue, E. Grady
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ABSTRACT

The ways that the Tennessee Higher Education Commission (THEC) has sought to recognize the contribution of private higher education in Tennessee are addressed. Specific involvement of the private sector was provided in the preparation of the 1979-84 THEC Master Plan. Many of the planning issues identified in that plan touched on private sector concerns and interaction with public sector institutions. The master plan describes the governance and organizational structures in the state with a specific reference to the interaction of THEC with private sector institutions. The plan supplies data profiles and recent trends in such areas as enrollments, programs, faculty, finance, and facilities, and private sector institutions are represented in most of these trends. Additionally, the role of the private sector is specifically recognized in the statement of goals and objectives. Among the more important policy statements affecting the private sector is the issue of potential merger between private institutions and public institutions. The state provides financial support for private sector institutions through student financial aid, contract programs of the Southern Regional Education Board, and direct contracts. The THEC is charged by legislative statute to consider the programs and facilities of private higher education as it assesses the needs of the state in higher education. Policy and planning are designed to accord private education full recognition in the community of higher education in the state and to maintain full respect for the independence and autonomy of private higher education. A bibliography is appended. (SW)

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STATE POLICY AND PRIVATE HIGHER EDUCATION IN TENNESSEE

E. Grady Bogue

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This case study by E. Grady Bogue* was commissioned by the Southern Regional Education Board as part of a comprehensive study of the public policy issues associated with enrollment decline and financial distress in colleges and universities. For a complete report of this project, see the forthcoming publication: James R. Mingle and Associates, Challenges of Retrenchment: Strategies for Consolidating Programs, Cutting Costs, and Reallocating Resources (San Francisco: Jossey-Bass). Readers are referred also to the two other cases dealing with "State Policy and Private College Distress," published by SREB: "Private College Mergers and State Policy: A Case Study of New York" by Gail S. Chambers, and "Evaluating a Private College Request for State Affiliation: A Case Study of Sullins College in Virginia" by Richard J. Meisinger, Jr. Funds for these studies were provided in part by the Ford Foundation.

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*Grady Bogue is Chancellor of Louisiana State University in Shreveport and was formerly Associate Director for Academic Affairs for the Tennessee Higher Education Commission.

A 1978 publication of the National Institute of Independent Colleges and Universities indicated that the independent sector of higher education in this nation experienced a net loss of 65 institutions during the period from winter 1970 through summer 1978 (Fadil and Thrift, 1978). And enrollment forecasters continue to project sharp declines in the number of 18-year-olds, predicting as much as a 26 percent decline from 1979 to 1992, according to the May 12, 1980, issue of The Chronicle of Higher Education (Magarrell, 1980a). Almost without exception, enrollment forecasts for college-age populations and enrollments show a negative trend for the 1980s.

What may be expected for the independent sector for the early years of the 1980s? The June 9, 1980, issue of The Chronicle of Higher Education featured a front-page lead story indicating that "the decline in the number of college-age Americans may force as many as 200 small, private, liberal-arts institutions to close their doors in the 1980's . . ." (Magarrell, 1980b). What policies are appropriate for those states interested in preserving the best in both their public and private institutions? A clear recommendation of recent national policy studies is that states should move to adopt some policy for the welfare of private institutions. In a 1977 Carnegie Council on Policy Studies report (page 63), a major recommendation was that: "State governments should act vigorously in developing long-range policies for private higher education, if they have not done so already [in the context of a total plan for higher education], but funding should be increased only gradually as needs become clearly apparent."

A 1977 report of the Education Commission of the States' Task Force on State Policy and Independent Higher Education included among eleven recommendations these two leading ones (page ix):

- Each state should construct a specific policy regarding the independent colleges and universities that serve its citizens. States should develop such policy in the light of clear state purposes and a detailed understanding of the role and condition of independent institutions.

- Statewide planning should be concerned with issues involving the independent sector, and postsecondary education, including the independent sector, should be accorded full participation in state planning and coordination.

In the November/December 1979 issue of AGB Reports (page 5), educator John W. Gardner indicates why attention to the independent sector is so important: "In a totalitarian state virtually all activity is, in essence, governmental--and the little that is not is heavily controlled or influenced by government. Almost everything is bureaucratized and is subject to central goal setting and rule making. . . . In the nations that the world thinks of as democracies, there is, in contrast, a large area of activity outside of government. The United States probably outstrips all others in the size and autonomy of its nongovernmental or private sector." In summary, Gardner suggests that the independent sector "enhances our creativity, enlivens our communities, nurtures individual responsibility, stirs life at the grassroots level and reminds us that we were born free."

How can state-level policy promote the benefits of a strong independent sector while simultaneously encouraging the development and strength of its public institutions? This paper is designed to reveal the steps one state has taken to involve the private sector in planning and to outline those policies that have emerged concerning programs and services in the private sector.

OVERALL VIEW OF THE PRIVATE SECTOR IN TENNESSEE

The profile of public and private institutions in Tennessee is clearly one of diversity, with students having a variety of choice in terms of institutional history, mission, and size.

In the public sector there are:

10 Universities

1 University for the Health Sciences

10 Community Colleges

4 Technical Institutes

28 Area Vocational-Technical Schools with some postsecondary programs

4 special units of the University of Tennessee--the Institute of Agriculture, the Space Institute, the Institute for Public Service, and the Division of Continuing Education

This pattern of diversity extends to the private sector. Membership of the Tennessee Council of Private Colleges (TCPC) includes:

1 Research University

1 College of Medicine and Dentistry

1 College of Optometry

25 Liberal Arts Colleges

6 Specialized Institutions with programs in teacher education, mortuary science, and Bible studies

5 Two-Year Colleges

Several points of interest concerning the TCPC institutions are important to note. First, 13 institutions have enrollments of fewer than 500 full-time-equivalent (FTE) students: 5 are two-year colleges, 4 are special purpose schools (in mortuary science, in art, and in religion and Bible), and 4 (Bethel,

King, Tennessee Wesleyan, and Tusculum) are four-year colleges with religious affiliation and support. Two of the last group of schools--Bethel and King--have made overtures for forms of state support in the last three years.

Another item of interest is that a widely known and historically active private institution in Tennessee, George Peabody College for Teachers, was merged with Vanderbilt University in 1979. This was a major change in the profile of private institutions, and one that at one point involved the potential for merger between a private and a public institution--between George Peabody and Tennessee State University.

Only 40 percent of the students enrolled in the state's private colleges are Tennessee residents. It is important to note the variability in this statistic--from a high of 95 percent at Lemoyne-Owen College, a predominantly black institution in Memphis, to a low of approximately 9 percent at Morristown College and at Tennessee Temple University.

Not included in the foregoing enrollment statistics are 16 other institutions that are not members of TCPC: some of these institutions are accredited by agency members of the Council on Postsecondary Accreditation (COPA); others are not accredited but are authorized to operate in Tennessee following review and evaluation by the Tennessee Higher Education Commission (THEC) under the provision of the Postsecondary Authorization Act of 1974. With enrollments ranging from a low of 15 students to a high of over a thousand students (at Steed College, a business college), most of these 16 institutions provide religious training, while three teach general business, and one (the smallest) provides graduate education. Many of these institutions are not widely known to citizens of the state and, in some instances, have been established recently.

How many of these institutions will survive over the next decade is an uncertain matter. However, among their number are some with splendid resources.

In summary, the profile of private education in Tennessee is one of great diversity, and certainly one of future potential. When looking at recent enrollment trends in the public and the private sectors, it is clear that the most dramatic contributions to postsecondary access--in terms of numbers--have been made by public two-year colleges. However, the private sector has also experienced increases in enrollment, comparing not unfavorably with public universities in growth rate. Between 1971 and 1979, the growth rate for private institutions was 17 percent, compared to 18 percent for public universities. Within that overall profile, however, it is certain that several private institutions could face enrollment and financial distress within the next five to ten years.

PLANNING AND POLICY INVOLVEMENT OF THE PRIVATE SECTOR IN TENNESSEE

Among the primary statutory responsibilities of the Tennessee Higher Education Commission is the charge "to develop a master plan for the future development of public higher education in Tennessee, taking into account the programs and functions of each of the existing institutions, and to make recommendations to the governing boards of the various institutions and to the Governor and the General Assembly for the implementation of the plan" (Tennessee Code Annotated, 49-4203, Section I).

In January 1979, the THEC published its second Master Plan statement since the Commission was established in 1967; the first plan was published in 1973. The purposes of the 1979 Master Plan were:

1. To analyze recent trends and current status of higher education in Tennessee;

2. To restate statewide goals and objectives;

3. To specify planning assumptions;

4. To identify major problems and planning issues;

5. To propose policies, practices, and major studies to be considered by appropriate higher education and governmental agencies.

Master planning in Tennessee is seen as a procedure for responding to and creating the future. It is not seen as a static process nor as a process fully and finally captured in a planning publication. Such a publication, however, does represent a benchmark from which to examine the future.

The Tennessee Master Plan for 1979-84 was published in two volumes. The first volume has three major sections and eight chapters:

INTRODUCTION - DEVELOPMENT OF THE 1979 MASTER PLAN

PART I - THE PLANNING BACKGROUND
- Chapter 1 - Coordination and Governance in Tennessee
- Chapter 2 - Major Recent Trends in Tennessee Higher Education

PART II - THE ASSESSMENT OF THE FUTURE
- Chapter 3 - Goals and Objectives for Tennessee Higher Education
- Chapter 4 - Institutional Missions
- Chapter 5 - Planning Assumptions
- Chapter 6 - Issues and Recommendations

PART III - THE 1979 MASTER PLAN
- Chapter 7 - The Plan Itself
- Chapter 8 - Summary and Implications of Recommendations

Volume II of the Plan contains role and scope statements for the state's institutions of higher education, both public and private.

Can a "Master Plan" merit the connotation of comprehensiveness without taking into consideration resources in both public and private institutions? The THEC did not believe so. It therefore made provision for involvement of

the private sector in the planning process. The resulting Volume I contains these specific references to private sector concerns:

- Chapter I of the Plan describes the governance and organizational structures for Tennessee Higher Education with a specific reference to the interaction of THEC with private sector institutions.
- Chapter II supplies data profiles and recent trends in such areas as enrollments, programs, faculty, finance, and facilities. Private sector institutions are represented in most of these trends. THEC maintains, through the voluntary cooperation of the Tennessee Council of Private Colleges, an excellent student and program information system on private sector institutions. Data on faculty, finance, and facilities, however, are not so readily available at this time.
- Chapter III furnishes a statement of statewide goals and accompanying objectives for each goal. The role of the private sector is specifically recognized in the statement of goals and in the more detailed statement of objectives developed for each goal.

Goals For 1979 Master Plan

Goal Theme	Goal Statements Tennessee Higher Education Should . . .
Accessibility	• Provide educational opportunities for all citizens who have the ability and interest to attend college
Excellence	• Develop and maintain quality programs in instruction, research and service
Diversity	• Promote differences in public institutional mission and recognize the role of the state's private institutions
Responsiveness	• Provide those programs that are responsive to current needs and plan for future program and services needs
Responsibility	• Maintain and demonstrate integrity of purpose and practice and effectively apply resources

- Chapter IV provides a summary statement of mission, condensed from the more specific statements found in Volume II. The following statement extracted from Chapter IV is important for the private sector.

> The THEC does not believe the state should impose limitations upon the mission of any institution whose governance is independent of the state. Therefore, little such commentary is provided in this chapter. However, to the extent that the THEC may contract with a given independent institution, accountability for the expenditure of contract funds may be expected. In a case such as currently exists with Meharry Medical School, which is engaged in the offering of family practice residencies in accordance with a state plan, the THEC may specify through contract provisions certain performance standards and expectations.
>
> From the standpoint of effective statewide planning, however, the THEC may, at a future date, take the responsibility of advising one or more independent institutions concerning specific program plans or major new directions in mission. The THEC is initiating relations with private proprietary institutions who are not members of the Tennessee Council of Private Colleges. It has done so through its role as the state's postsecondary licensure agency as well as its function as the only statewide planning and coordinating agency (1202 Commission). It is recommended that an appropriate communications network be provided between the independent and proprietary Tennessee colleges and universities and the THEC.

- Chapter V outlines the planning assumptions on which the plan was built. This chapter includes several assumptions concerning the private sector--on fees and enrollments, for example.
- Chapter VI constitutes the heart of the Master Plan. Here are found the planning issues anticipated for the period 1978-84--and the recommendations appropriate for engaging those issues. Among the more important policy statements affecting the private sector is the issue of potential merger between private institutions and public institutions. Here we present verbatim the statement found in the plan. The issue of private-public merger will be considered in greater detail in closing sections of this discussion.

Issue Related to Possible Transfer or Merger of Private Institutions into Public Sector

> While many private institutions have demonstrated financial strength in recent years, others have experienced difficulty. For this and other reasons, the State of Tennessee will address proposals during the next five years to assume the operation of some private institutions, programs, and/or facilities.
>
> The Trustees of King College in Bristol have empowered their president to seek long-term contractual relations with or merger into East Tennessee State University [ETSU]. The matter is now under study. The Trustees of Southern College of Optometry in Memphis have empowered their president to seek either (1) public affiliation with UTCHS [University of Tennessee Center for the Health Sciences], ETSU's College of Medicine or MSU [Memphis State University] or (2) standing as a separate public institution. Other similar steps may be taken.

These references have been designed to reveal the involvement of and concern for private sector institutions in the planning process in Tennessee. They are by no means the only involvements. For example, the private sector has membership on the THEC Program Policy Advisory Committee when matters of concern to the private sector are on the agenda. Also, the THEC publishes monthly an outline of all new academic programs under review by the Commission. This outline, called the Program Status Report, is shared with executive officers of all institutions, public and private, in the state. This communication alerts institutions so they may obtain, if they desire, a copy of any program proposal and may comment upon any program under consideration. Finally, the THEC has taken the lead in developing two regional plans in the urban areas of Nashville and Knoxville. Other plans are anticipated for Memphis and Chattanooga, and possibly the Tri-Cities (Bristol, Kingsport, Johnson City) area. Private sector institutions hold membership on each of these urban planning councils. The policy and planning actions of the THEC are designed to involve private

sector institutions in a direct fashion and to consider the community of higher education resources in the state, but to do so while maintaining respect for the autonomy of the private sector.

STATE FINANCIAL SUPPORT OF PRIVATE HIGHER EDUCATION IN TENNESSEE

Previous discussions make clear the pattern of diversity of Tennessee private higher education institutions. A part of that diversity is a widely varying pattern of enrollment and financial strengths. While several institutions could possibly be identified as being in financial distress, it is obvious that there are several new and thriving institutions.

There are three ways in which private institutions are supported by public funds in Tennessee--through SREB contracts, programs of financial aid, and direct contracts.

SREB Contracts. Since its inception in 1967, the Tennessee Higher Education Commission has supported SREB contracts with private institutions in Tennessee. For 1979-80, THEC supported contracts with three private institutions as follows:

Institution	Funding Amount	Student Spaces
Meharry Medical College (Medicine)	$170,000	40
(Dentistry)	68,000	16
Southern College of Optometry	270,000	72
Vanderbilt University (Nursing)	25,000	10

Financial Aid. In 1979-80, the Tennessee Student Assistance Corporation guaranteed loans totaling $23,570,651. The breakdown of amounts students received in loans while attending three different categories of institutions was as follows:

Category of Institutions	Student Loans Received
Tennessee Public Institutions	$14,790,171
Tennessee Private/Proprietary Institutions	4,361,917
Out-of-State Institutions	4,418,563

Direct Contracts and Support. The remaining state support of private higher education in Tennessee comes in the form of direct contracts and grants. In 1978, THEC was granted the authority to enter into direct contracts with private institutions, as specified in the following legislation:

> Authority to contract with private institutions for educational programs and facilities.--The higher education commission shall consider Tennessee's private institutions of higher education in its continuous studies of the immediate and future needs of the state in the area of higher education. These studies shall consider the place of the private institutions in relation to the public institutions. If these studies show that accredited private institutions in Tennessee can provide either the facility or program needs of the state, the higher education commission is authorized to contract with accredited private institutions in Tennessee for the provision of those educational programs and facilities which will serve to meet the needs of the people of the state. (Acts 1978, ch. 907, p. 1.)

Two observations concerning this authority are appropriate. Contrary to public sector expectations, the THEC has not been overwhelmed with proposals for contracts. In fact, only two contractual proposals have been received by THEC as of this writing. One proposal was received from Bethel College to deliver selected two-year college programs in upper West Tennessee where there is no public two-year institution. Traditionally, Bethel has been a four-year liberal arts institution with no previous history of emphasis on two-year programs. Following THEC staff review and conversation with officers of Bethel, this contract proposal was withdrawn from consideration.

A second contract proposal was received from Gupton School of Mortuary Science, which is a specialized two-year school located in Nashville and is accredited by the Southern Association of Colleges and Schools. This contract proposal for $30,000 was favorably reviewed by THEC staff and endorsed by THEC for inclusion in the 1980-81 appropriations recommendations to the governor and legislature. With the expectation of significant shortfall in state revenue due to recession (major revenue comes from sales tax), the higher education appropriations recommendation for 1980-81 was severely reduced, and the Gupton contract was one of the items eliminated. Thus, to this point, the state has not entered into direct contract with any private institution. That authority remains, however, an important instrument for recognizing private institution resources and state needs.

One other point merits consideration. To provide some regularity in the proposal and evaluation process, the THEC has adopted "Policies and Procedures for Contract Programs with Tennessee Private Colleges and Universities." These policies apply the federal court's "primary effect" test requiring that no state aid go to institutions pervasively sectarian; or if secular activities can be separated out, they alone may be funded. The THEC policies require endorsement by the institution's governing board of any proposal submitted.

Finally, we may note that one private institution in Tennessee, Meharry Medical College, enjoys direct financial support of medical residency programs in Family Practice and Preventive Medicine. For 1979-80, this funding was approximately $600,000.

INSTITUTIONAL MERGER AND STATE POLICY

For the past quarter of a century, the only instance of a private institution in Tennessee coming into the public sector has been the transformation of the former University of Chattanooga into a campus of the University of Tennessee. This change occurred in 1968 and resulted in the creation of the University of Tennessee at Chattanooga. The change was the subject of a special study by THEC, with the help of consultants provided by SREB; and the Commission endorsed the proposal.

While the 1979-80 THEC Master Plan was being prepared, however, at least two cases of private-public merger were under consideration, and another case occurred shortly after the Master Plan was published. A brief description of these three merger possibilities and the public policy developed to anticipate instances of private-public merger follows.

Southern College of Optometry. Southern College of Optometry (SCO) in Memphis is an independent institution, founded in 1932, which offers a major course of study leading to the Doctor of Optometry degree. The Bachelor of Science and Associate of Science degrees are also offered. With entering classes of approximately 150 each year, the college enrollment represents 30 to 40 states but has historically served special needs in the South. The college has been successful in arranging SREB contracts with several Southern states, and Tennessee has contracts for approximately 72 total spaces.

Early in the 1970s, the president of SCO was authorized by the Board of Trustees to pursue the possibility of state affiliation. An informal assessment by THEC in 1975 concluded that the need for optometrists in the state was being adequately served through the SREB contract mechanism and that it would

be financially inadvisable for the state to take on the operation of an entire school when its needs were being met through the contract arrangement. Again in 1979, the SCO Board of Trustees reaffirmed its authorization for the president to pursue affiliation with the state system of higher education. Affiliation with the major Center for the Health Sciences of the University of Tennessee seemed to be a preferred possibility, though status as an independent public institution was also deemed acceptable.

The THEC had anticipated a major study of vision care programs and institutions during the 1980-81 year to address program preparation and curricular questions, the match between demand/need and supply, and the question of SCO achieving some affiliation with the state system of higher education. Such a study would have involved application of the policy criteria outlined in previous discussions. Due to staff and financial limitations, it seems improbable that this study will go forward. Indeed, the fiscal condition of higher education in the state is such that even the SREB contract spaces may suffer some reduction for the near future, to say nothing of the possibility of institutional merger.

King College and East Tennessee State University. Located in upper East Tennessee, King College is a small liberal arts college historically related to the Presbyterian church. In recent years, the college has experienced both enrollment and financial difficulties. The enrollment data reveal that the college's FTE enrollment dropped from approximately 300 in fall 1978 to just over 200 in fall 1979. Some of that decline may be attributed to uncertainty created by conversations over possible merger of the college with East Tennessee State University, a state-supported institution of approximately 8,000 FTE

students. In 1978, the Trustees of King College had authorized its president to explore the possibility of merger with East Tennessee State University. Several staff discussions were held and staff studies of programs, faculty, finance, and facilities were completed. Before these exploratory discussions moved further, however, a consensus developed among political leaders, State Board of Regents executive officers, and the governing board for ETSU that merger was not an appropriate step for the moment. Further discussions of merger were discontinued.

However, there were important serendipity outcomes. ETSU staff continued to discuss with King College and with Milligan College, a neighboring church-related private college of approximately 700 FTE, possibilities of course and program cooperation. As a result, students at King and Milligan can now cross-enroll at ETSU, with special opportunities in technical fields, such as computer science. Students at ETSU can cross-enroll at the two private schools for courses in foreign-classical languages and religious studies not offered at ETSU. Students from the private institutions also participate in selected student activities at ETSU, such as the band. While a merger was not consummated, a specific and constructive program of cooperation was established.

George Peabody College for Teachers and Tennessee State University. George Peabody College for Teachers is a Tennessee institution that has historically played a significant role in the preparation of professionals in the field of Education. Its graduates occupy leadership roles in the United States and in many foreign countries. However, the decline in demand for educational professionals, especially at the undergraduate level, and the growth of teacher

preparation programs in so many public institutions produced an enrollment and financial trend in which it appeared that the institution could not expect to face the future as a strong independent college. Consequently, in the summer of 1978, the Board of Trustees authorized the president to explore the option of merger with other institutions. Initial contacts were largely with other private schools--Vanderbilt, Duke, George Washington, Emory.

In the fall of 1978, however, other events occurred which produced a climate favorable for merger conversations between Peabody and Tennessee State University (TSU), a historically black university in Nashville. Closing a ten-year court suit, federal court rulings of 1978 and 1979 merged the former University of Tennessee at Nashville with Tennessee State University, with TSU as the surviving institution. This ruling created in Nashville a combined public university with significant resources and long-range potential as an urban university.

A proposal for TSU to offer the Doctor of Education degree had been previously approved by the State Board of Regents, the governing board for TSU, and was submitted to THEC. This proposal included a feature whereby Memphis State University (MSU) would initially extend its Doctor of Education degree to Nashville as a means of helping TSU get started into doctoral programming in education, but eventually TSU would implement the degree on its own. The proposal was based on an assessment of need in the middle Tennessee area and on the conviction that the state should support a public Doctor of Education degree in Nashville, since similar programs were already available in other metropolitan areas. (This was true except for Chattanooga, where a proposal for the

University of Tennessee to extend its Doctor of Education degree was expected, and eventually received and approved by THEC in May of 1980.)

In November of 1978, the THEC staff recommended that the MSU/TSU Doctor of Education proposal not be approved, and the Commission upheld this recommendation, thus rejecting the proposal. Factors involved in this recommendation are a matter of public record but included some difference of opinion about the extent of need in middle Tennessee. Another factor was recognition that George Peabody College already offered the Doctor of Education degree in Nashville and that Peabody's fine reputation was well-established. Essentially, the THEC staff judgment was that it would be educationally and economically more effective for the state to contract for spaces within the existing program at Peabody.

The initial rejection of the TSU Doctor of Education program proposal by the Commission and the simultaneous search by Peabody for merger possibilities produced a situation in which conversation between these two institutions was mutually attractive. It would have been a grand venture--the merger of a historically black university, itself with a newly defined merger and mission and opportunity for major service to the urban area of Nashville, with an institution having historic and significant strength in the preparation of professionals in education A combination of factors--some internal to the institutions, some public and political, and some related to the renewed interest of Vanderbilt and the close physical proximity of Peabody to Vanderbilt--resulted in the termination of merger discussions between Peabody and TSU and the eventual merger of Peabody and Vanderbilt University on July 1, 1979.

An interesting and pleasant byproduct occurred, however. With the support of federal court opinion and Tennessee Attorney General opinion, the State Board of Regents and TSU resubmitted the Doctor of Education proposal to THEC. This proposal included a contractual and supportive relationship with Vanderbilt University. The contract provided for faculty and library support of Vanderbilt University in helping TSU get the program started over a five-year period. There were other features as well, including opportunity for cross-enrollments between the two schools. The Doctor of Education degree for TSU, with this contract support from Vanderbilt included, was approved by THEC in January 1980.

Public Policy and Merger. While the political debate which surrounds the issue of merger and "takeover" by the public sector will no doubt be difficult and sometimes acrimonious, the evaluative questions developed in the 1979 Master Plan, which grew out of the Commission's experience in these cases, will provide a rational starting point. The following questions are included in the plan:

- Can the program continue under private auspices?
- Why should the state assume the programs, facilities, and other resources involved?
- If the programs involved would be lost to the state should either merger or long-term contractual relations not be accomplished, are they needed by the state or region?
- What would be the long-term financial obligations incurred by the state in any action proposed?
- What would be the financial and programmatic effect on current public and private institutions and educational services offered in the state?
- Would the proposed action be the most cost-effective and educationally sound way of providing the services involved?

- Would the proposed action violate either the U.S. or state constitution or state or federal laws?
- What changes in mission would result in the proposed action and how would such relate to other institutional missions?

Tennessee is not an affluent state. Its principal tax base is a sales tax, and there is no state income tax at present. The state is beginning to realize the long-term financial obligations produced by the implementation of a second public medical school and a college of veterinary medicine. These major new obligations are being felt at a time when the state is experiencing a potential revenue shortfall due to recession. Public colleges and universities are facing potential reductions in programs, services, and personnel. Thus, it is easy to discern that these policy questions are designed to establish a conservative posture on the future possibility of the state assuming fiscal responsibility for private institutions or services.

Of equal concern to THEC is the protection of the autonomy and distinctive missions of private institutions. After all, among the major strengths cited for private higher education are independence from governmental influence, the nurture of religious and other special values, and the freedom to innovate. When a private institution proposes a merger or contract for service that strikes at any one of these strengths or that suggests a move to weaken the distinctive mission and heritage of the institution, careful evaluation is in order. These policy questions are designed to insure deliberate evaluation early in that process.

SUMMARY

The Tennessee Higher Education Commission has endeavored to recognize the important contribution of private higher education in Tennessee in a variety of ways. First, specific involvement of the private sector was provided in the preparation of the 1979-84 THEC Master Plan. Many of the planning issues identified in that plan touched on private sector concerns and interaction with public sector institutions. Second, the State of Tennessee provides financial support for private sector institutions through the instruments of student financial aid, SREB contract programs, and direct contracts. The Tennessee Higher Education Commission is charged by legislative statute to consider the programs and facilities of private higher education as it assesses the needs of the state in higher education. Finally, the Commission has adopted a public policy guideline for use in evaluating the feasibility of any proposed merger of private institutions into the public sector. These policy and planning involvements are designed to accord private education full recognition in the community of higher education in the state and to maintain full respect for the independence and autonomy of private higher education.

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